



Alabama Department of Economic And Community Affairs

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ALABAMA CDBG INTERGOVERNMENTAL POLICY LETTER NUMBER 2 (Revision 6)

TO: Persons Interested in State
CDBG Program

FROM: Jean D. Davis
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POLICY ON PROGRAM CHANGES, AMENDMENTS AND COST UNDERRUNS

Amendments to CDBG Programs are changes to the approved program or any activities, necessitated by circumstances beyond the control of the municipality/county, which alter any of the following:

1. Dollar amounts spent on any activity;
2. Beneficiaries of any activity;
3. Geographic location(s) of any activity;
4. The design nature of an activity; for example, increasing the size of water lines, increasing the size of drainage pipes, etc.; or
5. The policies and procedures of a Housing Rehabilitation Program.

Given the possible range and types of amendments listed above, the state has determined that there will be two general types of amendments to programs which will be allowed. The types of amendments are formal amendments requiring state approval and local amendments which require that documentation be supplied to the State but which do not require formal state approval. All changes, revisions, or amendments to a program require prior written approval by either the state or the local governing body.

This policy letter provides guidance to localities on the types of changes which require state approval and the types which do not.

Formal State Approved Amendments

A Formal Amendment is necessitated by:

1. A proposed change in costs associated with a program of more than 10 percent of the total CDBG Program costs. This includes any change made that would cause the cumulative amount of changes to equal more than 10 percent, and this also includes those instances where the balance of funds resulting from a cost underrun is more than 10 percent of the CDBG grant amount;
2. An increase in the cost for the line item, "Administration", "Engineering" and/or "Architectural" services which exceeds 10 percent of the costs budgeted for that line item whether within the CDBG amount of the line item or the total line item. (This includes any proposed change made that would cause the cumulative amount of the line item, "Administration", "Engineering" and/or "Architectural" services to be increased by more than 10 percent.);
3. A proposed change in direct beneficiaries of the program so as to lower the total number of direct beneficiaries of the program by more than 10 percent;
4. A proposed change in direct beneficiaries of the program so as to lower the number of low and moderate income or minority beneficiaries by more than 10 percent;
5. A proposed change in the scope of activities so as:
 - a. To add any activity not originally proposed in the application,
 - b. To delete any activity originally proposed in the application,
 - c. To alter the location so that the originally proposed beneficiaries are reduced by more than 10 percent, or
 - d. To expand or reduce the area in which comprehensive program activities are occurring;
6. A proposed change in housing rehabilitation program policies and procedures which alter the number of beneficiaries or the housing standard to be used; or
7. An underrun on an activity or activities resulting in over 10 percent of grant funds being unobligated.

When a formal amendment is needed, the municipality and/or county shall:

1. Provide citizens with reasonable notice of and opportunity to comment on the change proposed to be made. This shall be accomplished by holding one or more public hearings to obtain the views of citizens concerning the proposed formal amendment.
 - a. Such hearing shall be advertised far enough in advance of the public hearing and in enough detail to allow interested citizens to have a reasonable chance to attend the hearing and make their viewpoints known.

- b. Information presented at the hearing shall describe: 1) the current program and the proposed change which may necessitate a formal amendment; 2) the amount of funds currently benefiting low and moderate income persons and the amount proposed to benefit low and moderate income persons; and 3) plans of the community for dealing with any displacement of persons that may occur due to the proposed change.
2. Provide the state with:
- a. Evidence that the circumstances necessitating the proposed change(s) are clearly beyond the control of the local government;
 - b. A resolution from the municipality/county commission or council authorizing the change(s);
 - c. An explanation of the proposed change which includes:
 - 1. A description of the proposed change;
 - 2. A revised budget;
 - 3. A description of the beneficiaries to be gained or lost;
 - 4. A description of the percent of beneficiaries to be gained or lost which are low and moderate income or minority;
 - 5. Appropriate map(s).
 - d. Other sufficient information on appropriate Alabama CDBG application forms to enable the state to re-rate the application taking the proposed change(s) into consideration. (The rating of the program with proposed change(s) must be equal to or greater than the lowest rating received by a funded program during that cycle of application ratings.)

Further, a municipality/county which proposed to noticeably reduce the number or percent of beneficiaries who are low or moderate income or minority persons must clearly substantiate the reasons for such reductions. In no case may the percent of low and moderate income beneficiaries be reduced to less than 51 percent.

When a municipality/county has determined that a program change is necessitated by circumstances beyond its control, and the change requires a formal amendment (according to criteria outlined in this policy letter), the chief elected official shall send to the ADECA a formal request for a program amendment and provide sufficient information, as described above, to permit the state to make a decision on the appropriateness of the change.

The municipality/county shall take no further action, i.e., obligate or use funds for any activity related to the proposed change, until the state gives preliminary approval. At this time the grantee will/will not be authorized to incur costs such as environmental review preparation/ads, preliminary engineering, etc., related to a significant change in scope, location, or scale. No other obligation or expenditure of funds may be made until final approval by the state. Further, the State will not guarantee that a formal amendment that is submitted less than sixty days prior to a scheduled closeout can be processed and approved in order to meet the closeout date.

Local Amendments

Local amendments may be used to make changes in the program of a more minor nature than those which require a formal amendment. Such changes must be necessitated by circumstances beyond the municipality/county's control and will generally consist of the following types of changes:

1. Expansion or addition to an activity in cases where there is a cost underrun 10 percent or less of the grant award. The money made available due to the cost underrun (the remainder of the amount budgeted for the activity) may be spent on a continuation of the same activity. The continuation of that activity must be in the original project area or adjacent to the original project area. The relationship of the current activity to the continuation should be in a neighborhood of the same economic character, i.e., one of at least 51 percent low and moderate income persons.
2. Change in the cost of a program of less than 10 percent of the total CDBG program cost or changes in the Administration line item of less than 10% of that line item, provided that:
 - a. The scope of the program is not noticeably reduced. (In the case of a Comprehensive Program the project area boundaries may not be reduced or expanded by local amendment.);
 - b. The scope of any activity is not noticeably reduced;
 - c. The beneficiaries of any activity are not reduced by more than 10 percent.

In changes of this type when an activity is increased in size, the increase must consist of an expansion or addition to an approved activity and the relation of the extension to the approved activity must be readily apparent and must serve a neighborhood of essentially the same economic character, i.e., one of at least 51 percent low and moderate income persons.

3. Changes in the design nature of an activity such as expanding the size of water lines or drainage pipe provided that Program costs are changed by no more than 10 percent of the total CDBG Program cost, and provided that the location and beneficiaries of the activity are in no way changed so as to require a formal amendment.
4. Changes in housing rehabilitation program policies or procedures which do not require a formal amendment.

In cases where the municipality/county desires to make changes by means of a local amendment the following information must be supplied to the state as evidence of that local amendment:

1. A letter from the chief elected official noting that such change is proposed to be made and is necessitated by circumstances beyond the jurisdiction's control or why it is to their advantage.

State approval of local amendments is not required. However, the municipality/county must have determined that a formal amendment was not required and then provide the information listed above to the appropriate CDBG Program Supervisor. Furthermore, the grantee should take particular care not to obligate or incur additional costs without prior written approval of the locality's chief elected official.

In the case of cost overruns, such shortfalls are to be paid out of local funds or contingency funds and are not viewed as justifiable grounds for program amendments requesting additional funds. However, a cost overrun on an approved activity or activities may be paid by funds made available due to a cost underrun or underruns on other approved activities provided that no approved activity has its direct beneficiaries reduced by more than 10 percent and provided that budgeted costs are not changed by more than 10 percent of the CDBG Program cost.

Effective Date: Immediately